

ANGUS COUNCIL

RESOURCES AND CENTRAL SERVICES COMMITTEE

3 FEBRUARY 2005

SUBJECT: CHANGES TO COUNCIL TAX DISCOUNTS

REPORT BY DIRECTOR OF FINANCE

<p>Abstract: This report outlines the implications of the changes to Council Tax Legislation in respect of the levels of discount which can be awarded.</p>
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1 RECOMMENDATION

It is recommended that the Committee –

- i. note the changes to Council Tax Discount Legislation;
- ii. note the changes are discretionary;
- iii. agree that the discount of second homes only be reduced from 50% to 10% across the whole of the Councils area;
- iv. note that the policy can be reviewed and amended;
- v. note that the additional income generated must be retained locally and forwarded to Registered Social Landlords; and
- vi. note that a detailed analysis of the properties currently receiving discount will require to be carried out.

2 INTRODUCTION

2.1 From 1 April 2005 new legislation will be introduced in Scotland which will give local authorities discretion to set the level of council tax discount on most second homes and long term empty properties to between 10% and 50%.

3 NEW LOCAL AUTHORITY DISCRETION TO REDUCE COUNCIL TAX DISCOUNT ON SECOND HOMES AND LONG TERM EMPTY PROPERTIES

3.1 Under current Council Tax legislation second homes and long term empty properties attract a 50% discount. The new legislation will allow local authorities the following discretion:

- To vary the discount on second homes to between 10% and 50%
- To vary the discount on long term unoccupied and unfurnished properties (empty for more than 12 months) to between 10% and 50%
- To vary the discount on properties undergoing major repairs or reconstruction after 6 months from date of purchase.
- To differentiate between second homes and long term empty properties by setting different levels of discount

- To apply the discount variations to the entire Council area or specified areas only

4 EXCLUSIONS

4.1 The regulations provide that certain classes of properties cannot have the amount of discount modified and these dwellings would retain the current 50% discount while the following criteria apply:

- Purpose Built Holiday Homes

This relates to any dwelling used for holiday purposes which is not allowed to be used or is unfit to be used for human habitation throughout the whole year, e.g a holiday chalet.

- Job Related Dwellings

This relates to a dwelling, which is owned or tenanted by a person who is required to live elsewhere to meet the requirements of their own, or their spouse's employment.

- Dwellings Under Repair

This relates to a dwelling undergoing major repairs or reconstruction, which has been empty for more than 12 months and so, does not qualify for an exemption. The discount cannot be reduced to below 50% until 6 months from the date of purchase has elapsed.

- Empty Dwellings

This relates to unoccupied and unfurnished dwellings. The first 6 months of the empty period would attract an exemption followed by a further 6-month period where a 50% discount would apply. The discount cannot be reduced to below 50% until 6 months from the date the exemption ended has elapsed.

5 ADDITIONAL INCOME

5.1 The Scottish Executive has decided that any additional income (as opposed to the additional amount levied) resulting from reducing discount must be retained locally and routed through Registered Social Landlords for the provision of new build affordable social housing to meet locally determined priorities.

5.2 Scottish Water

If the Council decided to use the new powers to reduce discounts there will be an increase in Scottish Water's revenue because of the link between council tax and water and sewerage discounts. As Scottish water has a revenue cap any additional income will be retained by Scottish Water and used to reduce charges.

5.3 It should be noted that significant changes to computer software will be required in order to account for the additional income.

6 COUNCIL POLICY IN RELATION TO DISCOUNT

- 6.1 Each local authority will be required to submit a report to the Scottish Executive, by the end of March each year (beginning in March 2005). This report should include details of the Council's policy in relation to the discount.
- 6.2 Until a full analysis can be carried out it would be prudent to adopt an initial policy, which uses the new provisions to vary discount in the following circumstances only:
- Reduce discount to 10% on all second homes in the Angus Council area
- 6.3 It should be noted that any reduction in the discount of long term empty properties would have an adverse effect on both the local authority and private sector owners who have properties which are hard to let or sell. Reducing the discount for properties, which require a lengthy period of repair, would have a similar impact.

7 FINANCIAL IMPLICATIONS

- 7.1 A significant level of analysis will require to be undertaken in order to quantify the amount of additional Council Tax income generated. This additional income will be forwarded to the Registered Social Landlords in the Councils area.

8 HUMAN RIGHTS IMPLICATIONS

- 8.1 There are no Human Rights implications arising as a result of this report.

9 CONSULTATION

- 9.1 The Chief Executive and the Director of Law and Administration have been consulted in the preparation of this report.

NOTE

No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973, (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above Report.

DSS/DSW/FC
20 January 2005

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